



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

Economic Factors in the Peace Settlement

By ISAAC LIPPINCOTT

Associate Professor of Economics, Washington University

ONE important result of the war has been the protest against restrictions on trade. This statement does not refer to war control, but to the increasing number of obstructions to the flow of international commerce in the years before 1914. What freedom means has never been clearly stated in these protests, and the connotations are not understood. The opposition to restrictions is largely a product of the revelations of German methods of economic penetration, and of the fear of her growing industrial strength due to her trade practices, and to the combination and concentration of her industries which threatened her rivals with destructive competition.

The establishment of more equitable conditions of trade is urged both by those who see in restrictions a potent cause of future international strife, and by those who advocate the policy of freer trade as a condition for the greatest development of world commerce and industry. The former idea has received the strongest emphasis during the war period. To quote from one of President Wilson's fourteen points,—what is desired is "the removal, as far as possible, of all economic barriers and the establishment of an equality of trade conditions among all the nations consenting to the peace and associating themselves for its maintenance."¹ Elsewhere, President Wilson expressed a similar idea: "Responsible statesmen must now everywhere see, if they never saw before, that no peace can rest securely upon political or economic restrictions meant to benefit some nations and to cripple or embarrass others, upon vindictive action of any sort or any kind of revenge or deliberate injury."

In spite of protestations and notwithstanding the sincere longings for better trade relations the actual policy the nations will follow in the immediate future bids fair not to be freer, but more restrictive. This plan is adopted with relatively little thought of its effect on other nations, or of the long run results on

¹ Quoted from Lindsay Rogers, "The Problems of Reconstruction," p. 230.

the welfare of the nation itself. Recent developments make it clear that the countries will follow that policy in international trade which best promotes their individual interests.

CONFLICTING POINTS OF VIEW

There is thus a strong contrast between ideals and practice, and between things hoped for and things actually sought. It is easy to understand this conflict. Towering above all other considerations is the opposition of present and future economic interests. It is largely a question of the "short run" and the "long run" points of view in international policy. The economic statesman may admit the reasoning of the idealists but he urges that at best economic forces work slowly and with many deviations and uncertainties. He seeks short cuts to his desired goal. More than ever before the exigencies of the present demand solutions which act promptly and surely, and always in the national interest. The future interests of the nation may suffer somewhat because of this policy, but the present critical state of industry makes the sacrifice necessary. Industries have been badly disrupted, markets have been lost, workmen are in a serious state of unrest, huge debts must be paid, and what is more disconcerting, foreign markets must be won in the face of the severest competition the world has ever seen. There is thus a premium on short run measures. That policy is urged which promises quick results. The future must to a large extent take care of itself.

Not only is there a conflict between present and future interests of given nations, but between the interests of the nations. As far as we may glean from present measures there is little indication that the countries will adopt the broad generous policy of giving any considerable amount of aid and support to their rivals in restoring industries; nor will they politely wait at scratch until all are ready to start on substantially equal terms in the world industrial conflict. It is clearly recognized that success will crown the effort of those who look out for themselves, and who employ prompt and vigorous measures of defense and aggression.

Of course, there is no intention of "forcing" the operation of economic laws. The purpose of the prospective regulations is to eliminate as far as possible the operation of certain forces and to

strengthen the workings of others. The purpose of control is to direct the economic stream, to straighten, and perhaps to narrow its channel, so that it will flow in the desired direction with greater velocity. This is the purpose of regulation whether applied to trade within countries or to international relations.

The outcome of the conflicts mentioned above will be to increase the hardships of the nations which are trying to reestablish a normal peace order. Policies which would have caused no unusual irritation in times of peace will now scarcely go unchallenged, partly because the strain of the war has made the peoples of the world more sensitive, and partly because the sorry plight of most nations will cause them to resent measures which might have been considered appropriate when all were financially strong and industrially prosperous. Thus the questions are raised: What policies may be accepted as a basis of friendly trade relations? How has the war affected the outlook of the nations on world trade? What new trade developments have occurred, and what is their significance? The purpose of the following discussion is to answer these questions.

INDUSTRIAL INTERDEPENDENCE

Any solution of the question of friendly relations will miss its mark which overlooks the industrial interdependence of the countries. That the economic welfare of one region is inextricably bound up with that of all the others is now axiomatic. Restrictions by one nation which seeks to place itself at a point of vantage creates hardship for its rivals near and far. The regulations incident to the war have made this point clear. Distant countries have felt the misfortunes of the war because their customary industrial relations with the warring nations were disturbed. On the one hand they have been deprived their usual supplies of manufactured goods, and on the other they have been unable to market their surplus of raw materials. Had the neutrals been industrially self-sufficing, war regulations of belligerents would have had little effect. But they have passed beyond this stage, and their hardships have been a product of their dependence.

What is true for war regulation is true to a smaller extent for control of trade in times of peace. A most impressive feature of

economic interdependence is that it increases rapidly with industrial progress. To give only a few examples: The growth of the factory system tends to make manufacturing nations more and more dependent on the outside world for food supplies. It does more. It increases the need of foreign markets for the surplus of manufactures, and makes necessary new foreign sources of raw materials. Great industries are founded and workmen trained under the assumption that trade will continue to flow in the established channels and probably will develop new ones. The very old enterprise of stone cutting at Idar and Oberstein draws its materials from every part of the world, and the new vegetable oil industry at Hull, England, looks far beyond the borders of Britain, and even beyond the confines of the empire for the materials on which its prosperity depends. Similar illustrations might be found in abundance. Technical improvements, of course, increase this dependence. Only a few years ago, three commercial forms of iron sufficed for the manufacture of all manner of iron and steel products. But great changes have taken place. Small quantities of a variety of rare metals garnered in from all quarters of the globe are now required to give exact properties to many kinds of steel products. Each use demands a property which is peculiar to it. Foreign restrictions on the supply of the necessary metals may cause a serious dislocation of industries. No country, however great its resources, is able to provide the materials for the manufacture of its varied products. Thus the nations with diversified industries are dependent on the outside world for supplies. Inventions, improvements, and the growing variety of tastes all contribute to the increase of this dependence.

Interdependence is one of the most important factors in foreign trade. If our purpose were to develop this argument it could be shown that under the influence of this principle trade associations, such as foreign chambers of commerce, are springing up all over the world, that intricate systems of credit and banking have been developed, and that the world has been girdled with vast systems of communication. Restrictions on commerce operate against the advantages gained by this interdependence. They cause irritations and hardships. They are a potent cause of international strife. They impose handicaps on poorer countries, and in the long run work to the disadvantage of the richer ones.

All this suggests principles which should guide us in framing satisfactory peace terms. Freedom to develop should include economic as well as political factors. Commercial measures should not be devised which deprive countries, or regions, of their native advantages whether of resources, of capital, of abundant labor supply, or of other elements of production. Where economic exploitation takes place, it should have regard for the welfare of the people whose country is exploited. In sum, the goal should be to secure and perpetuate the mutual advantages of trade and to refine the methods.² It goes without saying that the nations should prevent if possible all forms of unfair competition in international trade, the results of which are to deprive countries of their industrial opportunities and to make them dependent on others. Normally, unless a country drives hard bargains and practices some of the unfair methods, trade is of advantage to all parties concerned. It is a lever which lifts the poorer and more backward countries to economic progress. Where foreign capital, for example, builds railroads and electric lines, erects power plants, improves harbors, develops resources and founds industries, it gives employment to the labor of such countries, provides them with products for export, increases their purchasing power, stimulates their ambition, and in general raises them in the scale of living. Trade is thus a civilizing force. The benefits accrue as well to the people of the countries exploited as to foreign capitalists who provide the funds and enterprise. In the case of trade between highly developed countries commerce is the result of a sort of division of labor by which each nation devotes its attention to the industries in which it has advantages, and again, where it is pursued without restrictions it is a beneficial and stimulating process. With some exceptions this was the course of trade development before the war, both in the case of large and small countries.

This does not mean, of course, that trade moved across national boundaries without some measure of control. Fiscal measures have long been bound up with commercial policy; the trade of all countries has been made to yield revenue in some form. Besides, the commercial policies of most countries have comprehended sometimes bounties, sometimes protective measures of all degrees

² Cf. Lippincott, in *Washington University Studies*, VI, No. 1, p. 44.

of rigor, sometimes both bounties and tariffs. And not only imports, but in the case of some countries, exports also have been taxed. But, withal, it can scarcely be said that these measures seriously impeded the flow of trade, or as a rule, that they produced hardships in any country.

NEW FORMS OF TRADE REGULATION

But even before 1914, there were some indications that the old methods of regulation were beginning to pass away,—or at least were being supplemented by others. The growing industrialism alarmed those countries which were in its meshes. The mere fact that the nations were dependent on the outside world both for markets, for finished products and for raw materials made them eager to control the conditions of trade, external as well as internal. Thus inevitably new methods were devised to accomplish this end. Hence the policy of purchase of mineral rights abroad by the capitalists of certain countries, of investments in plantations and manufactures, of control over railroads and port facilities. All the while, industries developed into larger units. This was notably the case with banking and with certain kinds of manufacturing and merchandising. The old kind of competition in which the traders of the nations were largely the factors, was giving way to a new kind which was more powerful and destructive, namely, the method by which the traders of the country combined into huge business units for the purpose of sale of goods abroad, and for the purchase of foreign raw materials. Control, therefore, operated not only through national commercial policies, but also through the measures of these great organizations. The outcome of this system was to thwart the wholesome operation of the laws of trade, to confer great monopoly powers on groups of industries, and to impede the industrial and commercial growth of the countries which failed to employ methods of defense. Meanwhile, unfair methods were creeping into foreign trade, with the result that in a number of instances countries which enjoyed certain industrial advantages were not able to utilize them.³

That the traders of the competing countries were not seriously alarmed at this state of affairs was due to the fact that the new

³ Cf. Henri Hauser, "Les Methodes Allemandes d'Expansion Economique," pp. 96 ff., 100, 102, 130 ff., 207 ff.

methods worked through secret and subterranean channels. The immanent dangers were scarcely appreciated. From an industrial point of view, one of the most important results of the war has been the revelation of the magnitude of control exercised by a small group of German industries, aided by the great German banks.

It is clear enough now that the enormous power latent in economic penetration made possible the control of industries far beyond national boundaries, and that it gave an advantage chiefly to the country which was most thorough in the organization of its industrial forces. In some respects economic penetration yielded all the malignant effects of monopoly. It secured control not because of the possession of superior resources, but principally through the powers incident to organization. Competing traders were thus unfairly handicapped, and some countries were deprived of the advantages of their industrial opportunities.⁴ Had not the war intervened to prevent the further extension of this system, it would have probably stimulated in the near future, vigorous measures of defense which, in turn, would have ushered in an era of bitter feeling among the nations.

The new trade policies of the European countries are designed partly as measures of defense against the recurrence of such trade methods as those described above; another purpose is to enable the countries to recover their trade losses as quickly as possible; and still another is to facilitate industrial and financial reconstruction.

With respect to the future commercial plans, two notable developments occurred while the war was in progress. One was the proposed commercial alliance between Austria-Hungary and Germany, and the other the agreements contained in the Paris Economic Pact.⁵ The former needs no discussion because it is a thing of the past. But the Economic Conference of the Allies yielded some results which promise to affect for some time to come the foreign trade policies of the leading European countries.⁶

⁴ G. B. Dibblee, *Germany's Economic Position*, pp. 47 ff.

⁵ *Commerce Reports*, Feb. 11, 1916, pp. 582-583.

⁶ Cf. *Interim Report of Committee on Commercial and Industrial Policy* (London, Cd. 9033).

EFFECTS OF THE PARIS ECONOMIC PACT

From June 14 to 17, 1916, representatives of the Allied governments met at Paris for the purpose of fulfilling the mandate of the Paris conference of March 28, 1916, to give "practical expression to their solidarity of views and interests, and of proposing to their respective governments the appropriate measures for realizing this solidarity." The reading of the Pact seems to indicate that it provides for defensive arrangements. Thus the concluding sentence states:

Whereas for the purpose of their common defense against the enemy the Allies have agreed to adopt a common economic policy, on the lines laid down in the resolutions which have been passed, and whereas it is recognized that the effectiveness of this policy depends absolutely upon these resolutions being put into operation forthwith, the representatives of the Allied governments undertake to recommend their respective governments to take without delay all the measures, whether temporary or permanent, requisite for giving full and complete effect to this policy forthwith, and to communicate to each other the decisions arrived at to attain this object.⁷

The Pact provided three groups of policies, namely, for the war period, for the transition or reconstruction period, and for "permanent measures of mutual assistance and collaboration among the Allies." The essence of this document, as one may glean from its contents, is to put these countries on an economic defensive against prospective German trade methods. We are interested only in the permanent measures, since these are designed to affect future trade relations.

These permanent measures may be grouped under three titles. They include means for making the Allies independent of their enemies as regards raw materials and manufactured articles essential for the normal development of their economic activities, methods of promoting trade among the Allies, and provisions for uniform laws covering patents, trademarks and copyrights. It is expected, under the measures proposed in the first title, that the Allies will adopt certain measures to secure their independence of Germany in the case of raw materials and commercial and financial organization. The policy also contemplates state assistance for certain enterprises of a specially desirable character, such as

⁷ Recommendations of the Economic Conference of the Allies (London, Cd. 8271).

encouragements to scientific and technical research. Possibly also, the measures involve customs duties of a "temporary or permanent character." Said the Pact: "Whatever may be the methods adopted, the object aimed at by the Allies is to increase production within their territories as a whole to a sufficient extent to enable them to maintain and develop their economic position and independence in relation to enemy countries."

The Paris Pact has exerted both a direct and an indirect influence on the course of English legislation. Directly it is responsible for the passage of several important laws. Indirectly it has called attention to a dangerous trade situation which calls for remedial measures.

THE NONFERROUS METAL ACT

The British government, for example, has deemed it expedient to eliminate enemy alien influence from the domestic metal markets. The Nonferrous Metal Act, which received royal assent on February 6, 1918, was designed for this purpose.⁸ The title of the law indicates that its purpose is to "restrict temporarily the persons who may engage in business connected with nonferrous metals and metallic ores." The persons referred to, as the act subsequently shows, are those of enemy nationality or of enemy connections. The measure covers zinc, copper, tin, lead, nickel, aluminum, and other nonferrous metals and ores which the Board of Trade may designate by order. It is not lawful "for any company, firm, or individual after the expiration of six months from the passing of this bill, or such longer period as the Board of Trade may generally or in any particular case allow, to carry on the business of winning, extracting, smelting, dressing, refining, or dealing by way of wholesale trade in metal or metallic ores to which this act applies, unless licensed to do so by the Board of Trade." Licenses are to be granted in prescribed form after certain requirements have been fulfilled, including the furnishing of information, and the payment of a small fee. Even the definite limit set for the operation of the act will carry it into the peace period, or at the discretion of the Board of Trade, for an indefinite time.

Already, a number of licenses have been granted under the

⁸ *Commerce Reports*, April 1, 1918, pp. 4-6.

provisions of the act.⁹ The new law is undoubtedly something more than a defensive measure, although the other purposes are not stated. It limits trading in the given metals, and puts control, through a system of licenses, in charge of the Board of Trade. There is no indication as yet that the measure has caused hardships to any one except those against whom it was directed, namely, enemy traders; but the new policy contains great potentialities as a method of regulation. It establishes a precedent which may be extended, slowly at first but at a subsequent time, more and more rapidly, as a trade weapon against all rivals. Such an outcome could hardly be accepted as a condition which would make for friendly trade relations.

Various reconstruction measures in England have control both of imports and exports for their purpose. During the early discussions of reconstruction measures the proposal was made to prohibit for three years after the close of the war "the importation . . . of goods of any class, description, or origin, or produced or manufactured in part in any country or place specified in the order, either generally or from any country or place named in the order."¹⁰ Judging from recent discussions in England, the policy of restriction will not be as thorough as that suggested in the quotation above. The following report of a speech of Sir Albert Stanley, President of the Board of Trade, gives some idea of the present status of government opinion:

It was within the knowledge of all that the Government found it necessary during the war, either because there was insufficient tonnage, or for reasons of exchange, to impose severe restrictions upon a large proportion of the imports brought into the country. The time had come to consider the relaxation of these restrictions, and it had been suggested by various interests that they should retain for a time their control. The reason advanced was that owing to the demands which the Government had made upon manufacturers, and to the enormous changes which had taken place, the Government should for a time keep a restraining hand upon the flow of imports until our manufacturers had had an opportunity to reestablish themselves on a peace footing. He thought that was a fair proposition, and one that should have the acceptance of the Government. At the same time they all desired to continue on the same close and friendly relations with the Allies. Friendly rivalries there must be, but

⁹ Cf. current issues of the *Board of Trade Journal*.

¹⁰ Tariff Series no. 39, British Control of Imports and Exports (*U. S. Dept. Com. Publications*), p. 6.

there was plenty of room in the world for everybody, and by close coöperation, good understanding, and a friendly spirit we should secure the peace of the world better than in any other way.¹¹

No one could object to the spirit of this policy, but its practical application will encounter many difficulties if it is to be free of the charges of discrimination, or of the denial to friendly traders of opportunities which they might legitimately claim.

A considerable list of restrictions is proposed for the protection of the various engineering trades.¹² Thus said a recent *Commerce Report*:

There are large classes of articles imported from abroad which are made in such vast quantities and which have such manufacturing and inventive resources behind them and good will attached to them as to make competition extremely difficult. Therefore, if the manufacture of such articles is to be developed, it is necessary the committee says, that some form of assistance should be given toward overcoming the difficulties of competition. In the detailed reports respecting the various trades will be found numerous instances in which some form of protection is recommended, this protection being sometimes tariff duty, sometimes exclusion for a period of years of the competing articles, sometimes restrictions of imports from abroad.¹³

It will be observed that this policy creates a different condition of trade from that which prevailed before the war. It appears from the report that in the case of the enumerated articles, foreign manufacturers are to be denied the advantages which superior resources, or technique, or manufacturing skill have given them, and that they are to be denied also the benefit of the good will which they have built up perhaps by years of service to British consumers. This is a movement away from that kind of trade relations that makes for more friendly relations.

BRITISH IMPERIAL PREFERENCE IN OPERATION

Another tendency may be noted. While England's foreign competitors might complain mildly of the measures discussed above, they would regard in a more serious way preferential treatment by England to British dominions, or *vice versa*. Nevertheless, there are a number of indications that this policy will be

¹¹ *Board of Trade Journal*, Jan. 30, 1919, p. 128.

¹² For an early report see *Interim Report on Certain Essential Industries* (London, Cd. 9032).

¹³ *Commerce Reports*, March 8, 1919, p. 1093.

followed. There is a suggestion of a preferential policy in the following announcement from the American Consul General in London: "Pursuant to the pledges that all articles on the list of prohibited imports, when the produce or manufacture of any part of the British empire shall be permitted to be imported, notice is hereby given that a general license has been issued permitting such importation."¹⁴ And on March 14, our Consul General cabled that "according to an announcement made in Parliament on Thursday evening on behalf of the Board of Trade, the following articles heretofore restricted are now admitted free from import restrictions from the British overseas dominions. . . . Importations of these goods from the United States continue to be subject to the usual restrictions."¹⁵ The list includes cinematograph films, clocks, mineral waters, beer, playing cards, mechanical lighters, musical instruments, brandy, rum, matches, foods containing sugar, tea, tobacco, gold and wine. The operation of the preferential policy is also seen in the restrictions on the importation of American dyestuffs into Australia.¹⁶

In connection with the above, the following quotation must be taken *cum grano salis*, but at least it is an indication of the feeling aroused by restrictive measures as to peace-times commerce:

American manufacturers will abandon British markets and devote attention to South American fields on account of the hard trade rules, according to London copyright dispatch to the *World*. Trade experts from America in British capital studying situation announce intention of advocating embargo on raw materials. When they return home question will be raised whether United States will permit exports to England through American ports of Canadian manufactured goods.¹⁷

AMERICAN TRADE PLANS AND THEIR EFFECT ABROAD

It should be observed that our own prospective trade methods are closely scrutinized in England, possibly for the purpose of detecting measures which may operate unfairly for British merchants and manufacturers. On January 30, the *Board of Trade Journal* reported that "The Governors of the cotton-growing States have issued a proclamation calling on business men and merchants to 'organize and unite with the determined purpose of

¹⁴ *Commerce Reports*, March 14, 1919, p. 1217.

¹⁵ *Ibid.*, March 17, 1919, p. 1265.

¹⁶ *Ibid.*, March 4, 1919, p. 993; March 18, 1919, p. 1298.

¹⁷ *Wall Street Journal*, March 13, 1919.

withholding from sale all cotton until a price can be obtained that will cover the cost of production, plus a reasonable profit.' It has been resolved to 'urge farmers and dealers not to sell cotton for less than 35 cents a pound, basis middling.'"¹⁸ Likewise, the *Journal* has called to the attention of its readers the fact that "the Secretary of the Interior Department, the Director of the Bureau of Mines, the Chairman of the War Trade Board, and other Government officials" are trying to work out a plan for legislation which will embody the following proposals:

That the Government place a restriction against the importation of manganese and other minerals which may be more cheaply produced abroad, for a given period, so as to give the American producers an opportunity to get rid of the material that they have on hand; and that the Government appropriate outright a sufficient sum of money to pay the losses of persons who went into the business of the production of these minerals at the request of the Government, and to write it off as a war loss.¹⁹

Our proposed restrictions on the importation of wool, and the operation of our laws permitting combination for foreign trade are receiving study and comment in England.

We might add in this connection the foreign trade policy recommended by our Tariff Commission. It is as follows:

Equality of treatment should mean that the United States treat all countries on the same terms, and in return require equal treatment from every other country. . . . Each country—the United States as well as others—should be left free to enact such measures as it deems expedient for its own welfare. But the measures adopted, whatever they be, should be carried out with the same terms and the same treatment for all nations.²⁰

In the event that American commerce receives "unequal treatment" at the hands of foreign countries, the Commission recommends the enactment by Congress of penalty duties to be imposed at the discretion of the President on the products of the countries which discriminate against the United States. Foreign countries might read into some of these statements a policy of restrictions, particularly with reference to the clause which states that we should be left free to enact such measures as are deemed "expedient for (our) own welfare." While subsequent statements con-

¹⁸ *Board of Trade Journal*, Jan. 30, 1919, p. 143.

¹⁹ *Ibid.*, Feb. 13, 1919, p. 214.

²⁰ *Official U. S. Bulletin*, March 5, 1919, p. 2; *Second Annual Report of the U. S. Tariff Commission* (1919), p. 27.

tain the promise of "equal treatment," they offer next to nothing in the way of more liberal dealings.

We have said enough to indicate the present trend of foreign trade policies in England and the United States. From the reports that come to us from other parts of the world, it is clear that the countries are moving away from even that degree of freedom which existed in 1914. It may be for a long or for a short period depending on the time it takes to restore something like normal conditions, upon the severity of competition, and upon the momentum acquired by the new measures. We know full well from our own experience, that temporary or emergency measures tend to become a fixed part of our industrial system. It is to be expected that a similar experience will be the history abroad, unless unusual efforts are made to check the tendency.

REASON FOR IMPOSITION OF RESTRICTIONS

This movement in the direction of restrictions is due, in a general way, to the exceptional conditions created by the war. First, there is the need of revenue. Commerce will be made to bear its part of this burden. The taxes, or tariffs, which will be imposed will check the freedom of movement of goods.

Second, there is the need of protecting or defending new industries. It is hardly possible that governments will deny aid to industries which have grown through service to the country in time of war, nor to other industries which have sprung up during the war period. It will be regarded as a national loss if those industries are crowded out by competition from abroad. Not only will it be a loss to capitalists but to laborers who have acquired special training in such industries.

Third, the war has greatly stimulated the desire for greater self-sufficiency. This is the trend as between groups of nations, as is indicated by the spirit of the Paris Economic Pact; it is notably the case with the "key industries," particularly in England and in France; it is the case with a few of the belligerents whose manufactures have generally been greatly stimulated by the war; and finally, it is the case with some of the neutrals whose industries have undergone a considerable transformation during the war. We may give several illustrations. With regard to Italy, an American consul recently reported that "the war has

injected new life into the manufacturing industries of Italy. The greatest progress is seen in the chemical, electrical, and metallurgical industries, which now produce hundreds of articles that before the war had to be obtained from abroad. In all lines of industry, however, consolidations of companies, increases of capital, and extensions of existing plants are the order of the day."²¹ With reference to South America, one of our consuls reported that "the serious dislocation of trade occasioned in virtually all Latin American countries by the war has in the case of Brazil brought about changes of such far reaching significance as to mark a new period of growth in the industrial and commercial life of the country."²² Similar reports come from South Africa, from Australia and from Japan. Herein will be found the occasion for the widening, and perhaps for the stiffening, of the tariff policies of such countries, with the hope of rounding out the industrial systems of such countries.

Fourth, the war has given an abundance of training in new methods of controlling commerce. Trade may be controlled not only through the operation of systems of tariffs, but by export and import licenses. Such measures are relatively easy to administer; they operate quickly and thoroughly, and to a large extent are a more effective means of control than tariff regulations. There is scarcely a country that has not had some experience with this method of control, and it is not probable that such an effective instrument will pass into disuse.

Fifth, the ability to restore normal conditions at home is, with many countries, largely dependent on their ability to market their goods abroad. Competition will be severe. The nations must employ their full economic strength for this purpose, and avail themselves of such commercial policies as will work promptly for this end.

Finally, the war has greatly stimulated the combination movement. Competition will be more severe because it will be waged by larger and more powerful units. Added to government control through tariffs and import and export regulations will be that of the great industrial combinations. One of the principal

²¹ *Commerce Reports*, April 26, 1918, p. 353; May 25, 1918, p. 760; July 20, 1918 (Supplement), p. 3.

²² *Commerce Reports*, Aug. 26, 1918, pp. 756 ff.

occasions for the development of the combination movement in European countries has been the need of preparing for post-war competition. The case for England has been stated as follows:

The financing of our industries (after the war) will be immensely facilitated by trade organization. During the war we have seen our productive industries organized on a large scale and under the control of the State. Both organization and control were forced on us by the war. As regards State control, I hope and believe the necessity for it is temporary. As to trade organization, I firmly believe that the necessity for it will remain after the war. . . . The day of small industries on individual lines is gone. Our manufacturers and traders must organize for united effort. This will have the closest bearing on the question of finance. An unstable, unorganized industry is the despair of bankers. I have confidence in stating that an industry organized on large lines has seldom lacked financial support in this country, and in spite of the financial stringency we shall doubtless have to face, it is not likely to suffer in the near future.²³

Elsewhere it was said:

The policy of the Board of Trade after investigating the question was that if British manufacturers were going to increase their export trade after the war, if they were even going to regain the trade lost, it was essential to get together in some sort of trade combination. They were prepared to face the question of trusts or combines. If they were to make a stand against combinations in other countries, it would be necessary for them to adopt methods somewhat similar to those which were employed abroad.²⁴

In Great Britain great progress has been made in organizing business on a large scale.²⁵

For a number of years, combination has characterized the trend of development among American industries. Our traders and manufacturers are now permitted to combine for the purpose of exploiting foreign trade. Not only have we given such consent to this policy as is involved in the law, but it appears that the Federal Trade Commission has actually recommended that the German cartel system be legalized for American foreign trade.²⁶ Combinations are, of course, at home in Germany. The war strengthened this movement, and the after-war measures promise a further development in the same direction. Said a recent

²³ *Commerce Reports*, Aug. 19, 1918, p. 659; *Official U. S. Bulletin*, Jan. 9, 1918, p. 8.

²⁴ *Commerce Reports*, Oct. 11, 1917, p. 148.

²⁵ Lippincott, *Problems of Reconstruction*, pp. 232 ff.

²⁶ Cf. Federal Trade Commission report on "Combination in the American Export Trade."

Commerce Report: "The German press announces several large measures which are either partly carried out or projected, and which involve the efforts of various lines of trade to bulwark themselves for the coming struggle. A veritable network of organizations is growing up, which may be divided into two groups, those which are commercial-scientific and those which are purely commercial."²⁷

Further illustrations are unnecessary. World trading is in the midst of new conditions, and is confronted with new dangers. It will now require all the skill the statesmen can muster to keep the countries out of commercial wars. The principles named on a former page should serve as the ultimate goal; but the best that can be recommended for the present is that foreign trade should be purged of unfair methods, that discriminations should be avoided, that preferential treatment of favored nations or of favored regions should be reduced to a minimum, and that the new methods of export and import control should not be applied in such a way as to deprive countries of opportunities they might legitimately claim. In all instances, the commercial policies of the nations should be characterized as reasonable and fair, and the test of these terms should be found in the beneficial effects not on one nation but on all.

²⁷ *Commerce Reports*, March 17, 1919, p. 1265.